

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: May 19, 2014

TO: Representatives Howard, Setzer, Lewis, and W. Brawley

FROM: Rodney Bizzell
Fiscal Research Division

RE: House Bill 1069 (First Edition)

FISCAL IMPACT					
(\$ in millions)					
	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
State Impact	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
General Fund Revenues:					
General Fund Expenditures:					
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:					
NET STATE IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Local Impact					
Revenues:					
Expenditures:					
NET LOCAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Division of Employment Security					
EFFECTIVE DATE: July 1, 2014					
TECHNICAL CONSIDERATIONS: None					

BILL SUMMARY:

This fiscal memo pertains only to Part V of the bill, which sets the duration of unemployment benefits to a single fixed duration for each specified unemployment rate. HB 4 provided for benefit durations based on a sliding scale depending on the unemployment rate. The maximum benefit durations range from 12 weeks when the unemployment rate is less than or equal to 5.5% to 20 weeks when the unemployment rate is greater than 9%. The maximum benefit duration increases or declines by one week for each one-half percent change in the unemployment rate.

For each specified unemployment rate range, there is a corresponding benefit duration range of 7 weeks. For example, when the maximum duration is 12 weeks, there is a range of 5 to 12 weeks for which the claimant may qualify. The exact duration depends on a formula that divides base period wages by the average wages of the most recent two quarters. This quotient is multiplied by 8.67 and the claimant qualifies for the resulting number of weeks, but not less than the minimum or more than the maximum duration.

ASSUMPTIONS AND METHODOLOGY:

The formula used to determine duration is based on the formula used prior to HB 4 when high-quarter wages, rather than an average of two quarters' wages, were used to determine weekly benefit amounts. As a result, the current formula does not yield results covering the full range of variable durations on the sliding scale. Claimants may receive benefits ranging from 17 to 20 weeks when the unemployment rate is 8% or higher; however, the formula does not yield results less than 17 weeks. If the unemployment rate is 8% or less, the maximum rate applies.

HB 1069 eliminates the range of weeks and assigns the maximum week for each corresponding unemployment rate. This is the same result that the formula would yield for unemployment rates of 8% or less. Because the unemployment rate used to determine the benefit duration beginning July 1, 2014 is projected to be between 6% and 6.5%, the change will have no fiscal impact. If the rate were to increase to greater than 8.5%, there would be a small impact to the UI Trust Fund; however, the simulation used to project the payoff date considered only maximum duration rates, so there is no impact on the payoff date for the UI Trust Fund debt.

SOURCES OF DATA: Upjohn Institute

TECHNICAL CONSIDERATIONS: None